

# SUMMARY OF ARIZONA TAXES

To better serve you, the Arizona Department of Revenue now offers online assistance and filing of your business taxes. To file your taxes online or to register to use the website, go to [www.aztaxes.gov](http://www.aztaxes.gov)

This publication is for general information about Arizona taxes. For complete details, refer to the Arizona Revised Statutes and the Arizona Administrative Code. In case of inconsistency or omission in this publication, the language of the Arizona Revised Statutes and the Arizona Administrative Code will prevail.

## Personal Income Tax

Arizona's personal income tax is levied on residents and on nonresidents earning income in Arizona. The starting point for Arizona's individual income tax computation for resident individuals is the federal adjusted gross income (Arizona gross income). This amount is then subject to certain additions and subtractions to arrive at Arizona taxable income. Since the starting point for the Arizona income tax computation for resident individuals is the federal adjusted gross income, income taxable for federal purposes will likewise be taxable for Arizona purposes, unless such income is specifically excludable under Arizona law.

All income earned or received while you are a resident (if taxable to the federal government) is taxable to Arizona with a few exceptions. The most common addition in arriving at Arizona taxable income is interest income from non-Arizona municipal bonds. The *Resident Income Tax Return*, Arizona Form 140, instructions contain a complete list of the additions to income.

Subtractions in arriving at Arizona taxable income include interest income received from United States obligations, Social Security received under Title II of the Social Security Act, and railroad retirement benefits received from the Railroad Retirement Board under the Railroad Retirement Act. Arizona also allows a subtraction of up to \$2,500 for U.S. Government civil service and military pensions and Arizona state or local pension income. Public retirement pensions from states other than Arizona do not qualify for this subtraction.

Arizona statutes also provide for either a standard deduction or itemized deductions. Arizona allows itemized deductions as claimed on the federal income tax return, plus a more liberal medical deduction. Since Arizona itemized deductions are tied to the federal itemized deductions, the amount of home mortgage interest and property taxes which can be deducted for federal purposes may likewise be deducted for Arizona purposes.

If a taxpayer chooses not to itemize deductions, a standard deduction may be taken. The standard deduction for head of household and married individuals who file a joint Arizona income tax return is \$8,100. The standard deduction for all other filers is \$4,050.

Arizona also allows a property tax credit for low income, full year residents, age 65 or older, or recipients of Title 16 SSI if they own or rent property upon which property tax is paid. For more information, please refer to the Arizona Form 140PTC, *Property Tax Refund (Claim) Credit*.

## Arizona Transaction Privilege (Sales) Tax

Arizona transaction privilege taxes are imposed on persons engaged in certain business classifications, including retail sales. Some counties and most Arizona cities impose an additional transaction privilege tax. Although the transaction privilege tax is usually passed on the consumer, it is actually a tax on the vendor for the privilege of doing business in Arizona. The state rate is 6.3% on retail sales. The state of Arizona does not tax the sale of food for home consumption or drugs prescribed by a licensed physician or dentist.

## Arizona Use Taxes

The State of Arizona imposes a use tax under A.R.S. § 42-5155(A), the tax is imposed on any person who uses, stores, or consumes any tangible personal property purchased from a retailer upon which tax has not been collected by the retailer. The person's liability is not extinguished until the tax has been paid to this state. The current rate is 5.6%. Some of the cities in Arizona may impose a use tax. Most of the large cities license and collect the use tax independently from the state. For more information, please contact the Arizona Department of Revenue.

## General Property Taxes

Arizona does not have a property tax on household goods or intangible personal property. The statutes list eleven classes of properties with varying assessment ratios or percentages of full cash value. The assessment ratio for owner occupied residential property is 10 percent of full cash (market) value. Tax jurisdictions set tax rates on the basis of the total assessed valuation within their boundaries and the amount of the levy to be raised. For additional information, call the county assessor's office for the specific county for which you are seeking information.

## Estate and Inheritance Tax

Arizona follows the federal guidelines in taxing estates and only has a "Pick-up Tax" on estates that exceed \$600,000. This allows the state to receive a portion of the tax paid to the federal government without increasing the total tax paid on the estate. Heirs are not taxed by the state on proceeds from the estate unless the proceeds qualify for federal taxation.

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## Vehicle License Tax

Arizona charges a Vehicle License Tax (VLT) in lieu of a personal property tax on vehicles. The VLT is based on an assessed value of 60% of the manufacturer's base retail price reduced by 16.25% for each year since the vehicle was registered in Arizona. As of December 1, 2000, the rate is calculated at \$2.80 (new vehicles) / \$2.89 (used vehicles) for each \$100.00 of the assessed value. For additional information on this tax, please call the Arizona Department of Transportation, Vehicle License Division. In the Phoenix area, please call 602-255-0072. In the Tucson area, please call 520-629-9808; elsewhere in Arizona, 800-251-5866.

Additional information is available through:

### ☆ Telephone

#### Income

Phoenix area..... 602-255-3381

Toll free

from area codes 520 & 928..... 1-800-352-4090

#### Transaction Privilege Tax

Phoenix area..... 602-255-2060

Toll free

from area codes 520 & 928..... 1-800-843-7196

### ☆ For the hearing impaired—TDD only

Phoenix ..... 602-542-4021

Toll free

from area codes 520 & 928 ..... 1-800-397-0256

☆ our web site at [www.azdor.gov](http://www.azdor.gov)

☆ recorded tax information: 602-542-1991

☆ or write to: Taxpayer Information and Assistance  
PO Box 29086  
Phoenix AZ 85038-9086

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